

State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

BUTTE VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1987

This report contains eight recommendations for improvement of the center's operations including recommendations relating to:

- ▶ Pell Grant Overpayments
- ▶ Improper Student Need Analysis
- ▶ Monitoring of Disbursements
- ▶ Cash Management

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. The Office of the Legislative Auditor issues a biennial Single Audit Report for the state of Montana which fulfills those requirements on a statewide basis. The audit report presented here is therefore not intended to meet all reporting requirements of the Single Audit Act of 1984 and OMB Circular A-128.

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STATE OF MONTANA

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May 1988

The Legislative Audit Committee
of the Montana State Legislature:

This is the financial-compliance audit report on the Butte Vocational-Technical Center for the two fiscal years 1985-1986 and 1986-87. Included in this report are recommendations concerning compliance with federal regulations relating to student financial assistance programs. The center's written response to audit recommendations is included at the end of the audit report.

We thank the director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

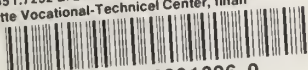
A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor



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OFFICE OF LEGISLATIVE AUDITOR
BUTTE VOCATIONAL-TECHNICAL CENTER

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1987

Audit staff involved in the Butte Vocational-Technical Center audit included:
Mary Bryson, Jim Manning, Bill O'Donnell, Rich McRae, Kathy Walsh and
Suzanne Wellcome.

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BUTTE VOCATIONAL-TECHNICAL CENTER
APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		<u>Term</u> <u>Expires</u>
Ted Schwinden, Governor*		1988
Ed Argenbright, Superintendent of Public Instruction*		1988
Dennis E. Lind, Chairman	Missoula	1989
Burt Hurwitz, Vice Chairman	White Sulphur Springs	1993
Beatrice McCarthy	Anaconda	1990
Elsie Redlin	Lambert	1991
Jim Kaze	Havre	1992
William L. Mathers	Miles City	1994
Leslie L. Kehoe, Student Representative	Bozeman	1988

*Ex officio member

ADMINISTRATIVE OFFICIALS

Carrol Krause	Commissioner of Higher Education
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs
Brady J. Vardemann	Deputy Commissioner for Vocational-Technical Education

BUTTE VOCATIONAL-TECHNICAL CENTER

Harry J. Freebourn	Director
--------------------	----------

BUTTE VOCATIONAL-TECHNICAL CENTER
ELECTED AND ADMINISTRATIVE OFFICIALS - PRIOR TO JULY 1987 *

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION

Ed Argenbright	Superintendent of Public Instruction
Gene Christiaansen	Assistant Superintendent for Vocational Education Services

BUTTE SCHOOL DISTRICT #1

Board of Trustees

	<u>Term Expires</u>
Mark F. Beckman, Chairperson	1989
C. A. Slaughter, Vice-Chairperson	1990
Dale Cospers	1988
Marco Lucich	1988
Bob Moodry	1989
Larry Gruel	1990
Jim Michelotti	1990

ADMINISTRATIVE OFFICIALS - SCHOOL DISTRICT

Peter Carparelli	Superintendent
Lorna Gregory	Business Manager

* Note: During the audit period, fiscal years 1985-86 and 1986-87, the center was under the governance of the Office of Public Instruction. As of July 1, 1987, the governance changed to the Board of Regents of Higher Education.

SUMMARY OF AUDIT RECOMMENDATIONS

The following is a summary of recommendations from our financial-compliance audit of the Butte Vocational-Technical Center and the center's reply.

	<u>Page</u>
<u>Recommendation #1</u>	
The center:	
A. Calculate the Pell Grant cost of attendance in accordance with federal regulations.	5
B. Determine the amount of Pell Grant overpayments in fiscal year 1986-87.	5
C. Contact the Department of Education to resolve the Pell Grant overpayments.	5
Center Reply: Concur. See page 26.	
<u>Recommendation #2</u>	
The center calculate students' financial need in accordance with federal regulations.	5
Center Reply: Concur. See page 26.	
<u>Recommendation #3</u>	
The center:	
A. Develop procedures to plan and monitor student financial aid disbursements.	7
B. Record CWS payroll expenditures in the proper fiscal year.	7
C. Recover administrative costs to the fullest extent possible.	7
Center Reply: Do not concur. See page 27.	
<u>Recommendation #4</u>	
The center develop procedures to estimate student financial aid program monthly cash needs.	8
Center Reply: Concur. See page 27.	

SUMMARY OF AUDIT RECOMMENDATIONS
(continued)

Recommendation #5

The center provide personnel additional training in student financial assistance programs.

8

Center Reply: Concur. See page 27.

Recommendation #6

The center develop procedures to identify, on its accounting records, property purchased with federal funds.

9

Center Reply: Concur. See page 28.

Recommendation #7

The center consult with its governing organization ensure that negotiated agreements with center employees comply with state law.

10

Center Reply: Concur. See page 28.

Recommendation #8

The center seek program and operational plan budget changes which will allow recording expenditures in accordance with state policy.

11

Center Reply: Concur. See page 28.

INTRODUCTION

We performed a financial-compliance audit of the Butte Vocational-Technical Center for the two fiscal years ended June 30, 1986 and 1987. The objectives of the audit were to:

- 1) Determine if the center's financial schedules present fairly the results of its operations for the two fiscal years ended June 30, 1986 and 1987;
- 2) Determine if the center complied with applicable laws and regulations;
- 3) Review the adequacy of the management information systems and make recommendations for improvement in the center's administrative and accounting controls; and
- 4) Determine the implementation status of prior audit recommendations.

This report contains eight recommendations to the center. These recommendations address areas where the center can improve control systems, financial reporting, and compliance with laws and regulations. Other areas of concern deemed not to have a significant effect on the successful operations of the center are not included in this report but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations.

BACKGROUND

The Office of Public Instruction designated five vocational-technical centers for Montana. This designation was reaffirmed by the legislature in 1969, when five centers were established by statute. In December 1984, the center completed construction of its new facility. The new Butte Vocational-Technical Center has 58,932 square feet in classroom and laboratory areas and a total of 96,000 square feet overall.

During fiscal year 1986-87, the center was authorized 36 full-time equivalent (FTE) employees consisting of 22 instructional, 10 support and 4 maintenance FTE's. During the audit period, quarterly student FTE ranged from 389 to 413. A schedule of student FTE's appears in footnote 7, page 24.

The center is accredited by the Northwest Association of Schools and Colleges and offers instruction in sixteen programs as follows:

- | | |
|--------------------------------------|-------------------------------|
| 1. Automotive Mechanics | 9. Accounting |
| 2. Welding | 10. Business Machines |
| 3. Small Engine Repair | 11. Word Processing |
| 4. Machine Tool Operation | 12. Typing and Microcomputers |
| 5. Civil Engineering | 13. Medical Secretary |
| 6. Electrical Technology | 14. Stenographer Secretary |
| 7. Drafting Technology | 15. Practical Nursing |
| 8. Data Entry/Information Processing | 16. Legal Secretary |

GOVERNANCE CHANGE

Chapter 658, Laws of 1987 transferred the governance of the postsecondary vocational technical centers to the Board of Regents of Higher Education from the Superintendent of Public Instruction effective July 1, 1987. There is a two year transition period from July 1, 1987 to June 30, 1989. As of July 1, 1987 all vocational technical center directors became state employees. All other vocational technical center employees will remain local school district employees until June 30, 1989. The Board of Regents must report to the 51st Legislature in January 1989 on the following (6) items:

- (1) A plan for reorganization of the delivery system for all postsecondary vocational technical education in Montana.
- (2) A long term plan for achieving high quality vocational technical centers through the possibility of program specialization at each center.
- (3) The feasibility and appropriateness of closure of one or more of the vocational technical facilities.
- (4) A plan for elimination of programs that serve few students.
- (5) A plan for consolidation of administrative functions of the individual centers which could result in cost savings and more efficient operations.
- (6) The feasibility of consolidating postsecondary vocational technical facilities and staff with nearby units of the university system.

PRIOR AUDIT RECOMMENDATIONS

The prior audit report of the Butte Vocational-Technical Center for the two fiscal years ended June 30, 1985 contained ten recommendations still applicable to the center. We determined the status of these recommendations with the following results:

<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>	<u>Total</u>
7	2	1	10

The recommendation which has not been implemented relates to administrative cost recovery as discussed on page 6. The recommendations partially implemented concern property, plant and equipment as discussed on page 11 and the use of the Montana Operations Manual which was discussed with center personnel.

STUDENT FINANCIAL ASSISTANCE

The Butte center participates in the following federal student financial aid programs: Pell Grants (CFDA #84.063); Guaranteed Student Loans (CFDA #84.032); College Work Study (CFDA #84.033); Supplemental Educational Opportunity Grants (CFDA #84.007); and State Student Incentive Grants (CFDA #84.069). In addition to the student aid programs, the center also received subgrants for the following federal programs: Job Training Partnership Act (CFDA #17.250); Adult Basic Education (CFDA #84.002); and Carl Perkins (CFDA #84.048).

The following sections discuss instances that represent noncompliance with federal regulations and could cause the center to lose federal funds.

Pell Grant Overpayments

During our testing of Pell Grant awards (CFDA #84.063), we noted that the center used improper cost of attendance amounts for determining Pell Grant payments for many students. In fiscal year 1985-86, the improper cost of attendance amount used by the center resulted in Pell Grant overpayments to all students who resided with their parents. The center used a room and

board allowance of \$1,150 while the maximum allowable amount per federal regulations (34 CFR 690.51) was \$1,100.

The Pell Grant overpayments were also noted in a financial aid program review conducted by the Institutional Review Branch of the U.S. Department of Education. In response to the program review, the center was required to determine the number and amount of Pell Grant overpayments made to dependent students in fiscal year 1985-86 and to repay the amount of the overpayments to the Department of Education. Fifty-nine students received Pell Grant payments that exceeded the allowable payment amount by a total of \$2,537. We determined that the center did repay the \$2,537 to the Department of Education in August 1987. As a result, no further corrective action is necessary.

In fiscal year 1986-87, the center included a one time \$10 application fee in the cost of attendance amount used for calculating all Pell Grant awards. The application fee is an allowable cost of attendance for new students who are required to pay the fee. The application fee cannot be included in the cost of attendance for returning students who do not pay the fee. Pell Grant awards are based upon a Pell Grant Payment Schedule with different payment levels for different cost of attendance brackets. The center's inclusion of the \$10 application fee did not affect the amount of Pell Grant awards made to students not residing with their parents since it did not change their cost of attendance bracket. However, the \$10 application fee did change the cost of attendance bracket for dependent students. The proper cost of attendance amount for a dependent, returning student was \$2,094 which is in the \$2,000-\$2,099 cost of attendance bracket. The cost of attendance amount used by the center for all dependent students was \$2,104 which includes the \$10 application fee and is in the \$2,100 - \$2,199 cost of attendance bracket. As a result of using an improper cost of attendance amount and bracket, the center's Pell Grant award to each dependent, returning student exceeded the amounts allowed by federal regulations by \$50 to \$60 in the award year. Due to the large number of students involved, it was not practical for us to determine the total amount of the overpayments. However, the center reported in its federal fiscal operations report a total of 71 dependent students for fiscal year 1986-87. Total overpayments could be as much as \$3,900. In order to comply with federal regulations, center personnel should

identify and review those fiscal year 1986-87 Pell Grant recipients that were returning, dependent students and calculate the total actual amount of overpayments. The center should contact the Department of Education for guidance on the proper resolution of this matter.

RECOMMENDATION #1

WE RECOMMEND THE CENTER:

- A. CALCULATE THE PELL GRANT COST OF ATTENDANCE IN ACCORDANCE WITH FEDERAL REGULATIONS.
- B. DETERMINE THE AMOUNT OF PELL GRANT OVERPAYMENTS IN FISCAL YEAR 1986-87.
- C. CONTACT THE DEPARTMENT OF EDUCATION TO RESOLVE THE PELL GRANT OVERPAYMENTS.

Financial Need Analysis

Financial aid awards are predominantly based upon a student's financial need. Federal regulations (34 CFR 676.11 and 676.13) require educational institutions to use an approved need analysis system based upon a student's cost of attendance. For one of the financial aid awards we tested, the center used the wrong student budget amount in calculating the student's financial need. The student was married with two dependents which represents a student budget amount of \$9,064 and a resulting financial need of \$2,134 after deducting the student's financial resources. The center improperly used a student budget amount for a single parent with two dependents of \$8,299. After deducting the student's financial resources, the student's resulting financial need was \$1,369. The center's use of an improper student budget amount caused the student's financial need to be understated by \$765.

RECOMMENDATION #2

WE RECOMMEND THE CENTER CALCULATE STUDENTS' FINANCIAL NEED IN ACCORDANCE WITH FEDERAL REGULATIONS.

Monitoring Financial Aid Disbursements

The following sections discuss instances in which the center did not effectively monitor financial aid disbursements.

--College Work Study Payroll

The College Work Study Program (CWS) (CFDA #84.033) provides part-time employment to students attending institutions of higher education who need the earnings to help meet their costs of postsecondary education. During our testing of CWS disbursements, we noted that the center did not record the June 1986 CWS payroll on the accounting records in fiscal year 1985-86. These disbursements were recorded in August 1986 and charged to the fiscal year 1986-87 CWS federal authorization. The improper accounting treatment caused fiscal year 1985-86 expenditures to be understated and fiscal year 1986-87 expenditures to be overstated by \$2,127. Center personnel indicated that the June 1986 CWS payroll was charged to the subsequent fiscal year since the federal CWS funds for fiscal year 1985-86 were fully expended. The center also used a portion of its federal funds designated for the administration of financial aid programs to partially finance the May 1986 CWS payroll. If the center had developed a system to monitor CWS earnings and awards it may have been possible to anticipate the problem and request additional federal authorization. The center should monitor the accumulated earnings of CWS students in relation to the CWS award amounts and the federal CWS funds available for disbursement.

--Administrative Cost Recovery

Federal regulations (34 CFR 675.18) allow institutions participating in student financial aid programs to use five percent of program award amounts for the administration of the programs. State law (section 17-3-111, MCA) requires institutions to recover indirect costs of federal assistance programs to the fullest extent possible. Recovery of indirect costs reduces the amount of state money spent by an institution. In fiscal year 1985-86, the center did not apply \$228 of allowable administrative costs to finance program administration and reduce general fund support. Instead, the funds were used to partially finance the May 1986 College Work Study Program payroll which the center

had not effectively monitored, as noted in the previous report section. As a result, an additional \$228 of state moneys was spent for program administration. In order to fully recover allowable administrative costs, the center should develop procedures to plan and monitor student financial aid disbursements.

RECOMMENDATION #3

WE RECOMMEND THE CENTER:

- A. DEVELOP PROCEDURES TO PLAN AND MONITOR STUDENT FINANCIAL AID DISBURSEMENTS.
- B. RECORD CWS PAYROLL EXPENDITURES IN THE PROPER FISCAL YEAR.
- C. RECOVER ADMINISTRATIVE COSTS TO THE FULLEST EXTENT POSSIBLE.

Cash Management

The center requests cash advances from the U.S. Department of Education to finance monthly student financial aid disbursements. The Department of Education requires educational institutions to request cash advances that do not exceed one month's needs per request. When a cash advance is received, the center should account for the cash in its federal cash account. Cash should only be transferred to financial aid accounts to finance the current month's disbursements.

During our audit, we noted that the center maintained excess cash balances in student financial aid accounts. Most of the center's monthly cash balances were adequate to finance two to four month's student financial aid disbursements. For proper federal cash management, educational institutions should plan and monitor monthly financial aid disbursements for the purpose of estimating monthly cash needs. Center personnel stated that as of the beginning of fiscal year 1987-88, federal cash is obtained through a wire transfer system which should help alleviate excess cash balances.

RECOMMENDATION #4

WE RECOMMEND THE CENTER DEVELOP PROCEDURES TO ESTIMATE STUDENT FINANCIAL AID PROGRAM MONTHLY CASH NEEDS.

Summary

The previous five report sections discussed instances where the center did not correctly calculate financial aid awards, student financial need and the institution's maintenance of effort. The incorrect calculations have resulted in financial aid overpayments, inaccurate federal reports and the understatement of a student's financial need. According to center officials, several of the items noted in the previous sections resulted from human error, not being aware of the requirements or personnel incorrectly understanding the requirements. The errors noted during our audit work and the reasons for them indicate that additional training of financial aid personnel may be necessary to help eliminate similar errors in the future. The need for staff training was also noted in a program review done by the U.S. Department of Education, Office of Student Financial Assistance in April, 1987.

RECOMMENDATION #5

WE RECOMMEND THE CENTER PROVIDE PERSONNEL TRAINING IN STUDENT FINANCIAL ASSISTANCE PROGRAMS.

DESIGNATION OF FEDERAL PROPERTY

The center purchased \$9,703 of equipment with Carl Perkins funds (CFDA #84.048) received as a subgrant through the Office of Public Instruction (OPI). No procedures currently exist to identify the equipment as property purchased with federal money. Attachment N, OMB Circular A-110, requires the center to provide a means for accurately identifying property purchased with federal funds. Center personnel indicated they were not aware of this requirement for Carl Perkins grant moneys.

If the center fully utilizes the capabilities of its current property management system, it could identify on its records those items purchased with federal funds. Any lack of compliance with federal regulations places the agency at risk for obtaining future federal funds.

RECOMMENDATION #6

WE RECOMMEND THE CENTER DEVELOP PROCEDURES TO IDENTIFY, ON ITS ACCOUNTING RECORDS, PROPERTY PURCHASED WITH FEDERAL FUNDS.

EMPLOYEE CONTRACT PROVISIONS

During our review of union negotiated contracts for center employees, we noted two contract provisions that conflict with state law. The first contract provision provides additional pay to engineers that are terminated for any reason during the school year. Depending upon years of service, the employee would receive one and one quarter or one and one half days pay for every month of service during the year of termination.

In 34 Opinions of Attorney General, Number 29, the Attorney General held: "...that public employees are not entitled to severance pay upon termination of employment, other than accrued vacation and sick leave benefits"

A subsequent Attorney General opinion, 37 Opinions, Number 114, allowed severance pay provisions in collective bargaining agreements between a local school district and its employees when based on the number of years service. The Attorney General determined this type of agreement to be deferred compensation rather than severance pay. In this instance, payment is a vested right of the employee that accrues throughout the period of employment.

The contract provision in the engineers' contract represents severance pay based upon the contingency of employment being terminated within a particular year. If the employee is not terminated during a school year, the employee has no vested right to any payment. Therefore, the contractual provision providing additional pay only in the event of termination during a school year is severance pay, and as such is prohibited by state law as interpreted by 34 Opinions of Attorney General, Number 29.

The second contract issue conflicting with state law is the provision allowing secretarial and clerical staff three days of personal leave that is subtracted from the employees' accrued sick leave balance. Leave benefits for state and school district employees are established by state law in Title 2,

Chapter 18, MCA. Section 2-18-601(8) specifically defines vacation leave as: ". . . a leave of absence with pay for the purpose of rest, relaxation or personal business. . . ." Administrative Rules of Montana, section 2-21-132 specifically provides that sick leave may be used for: ". . . illness, injury, medical disability maternity, quarantine, medical treatment, necessary care to an immediate family member, death or funeral attendance." Personal leave is included in the vacation leave definition. The use of sick leave for personal business is a violation of state law.

A center official indicated that leave and severance benefits are part of negotiated agreements between local unions and Butte School District #1 Board of Trustees and are not under the center's control. With the change in governance prescribed by Chapter 658, Laws of 1987, center personnel become state employees effective July 1, 1989. The Commissioner of Higher Education and Butte School District #1, as appropriate, should ensure that negotiated agreements with center employees comply with state law.

RECOMMENDATION #7

WE RECOMMEND THE CENTER CONSULT WITH ITS GOVERNING ORGANIZATION TO ENSURE THAT NEGOTIATED AGREEMENTS WITH CENTER EMPLOYEES COMPLY WITH STATE LAW.

EXPENDITURE TRANSFERS

During the audit period, we noted two instances in which the center incurred expenditures in excess of the budgeted amounts. In the first instance, the center avoided overspending its budget by improperly recording an equipment expenditure of \$814 as an operating expense. The center should have obtained an operational plan amendment to transfer available operating expense budget to the equipment budget.

In the second instance, the center transferred plant operation and maintenance program expenditures of \$744 to the student services program. The center should have requested a program transfer of budget authority from the student services program to the plant operation and maintenance program.

State law requires the center to obtain approval for any operational plan amendment or program transfer. State policy (Management Memo 2-83-4)

provides detailed instructions for obtaining operational plan amendments and program transfers. Following these procedures would allow the center to modify its budget so that expenditures may be properly recorded and classified in accordance with state law.

RECOMMENDATION #8

WE RECOMMEND THE CENTER SEEK PROGRAM AND OPERATIONAL PLAN BUDGET CHANGES WHICH WILL ALLOW RECORDING EXPENDITURES IN ACCORDANCE WITH STATE POLICY.

PROPERTY, PLANT AND EQUIPMENT

Our two previous audit reports recommended that the center inventory equipment and implement a property, plant and equipment system. The center has made significant progress in the implementation of these recommendations with limited personnel resources and we commend center personnel for their effort.

As of fiscal year-end 1986-87, the center's accounting records reflect equipment in the amount of \$2,759,681 and land and building in the amount of \$7,992,747. During our audit, we noted that the center had not completed its inventory of auto mechanic equipment. Also, the center's library books are not recorded on the inventory listing or the accounting records.

With the change in governance, ownership interest in the land and building needs to be resolved and when resolved, all property and equipment the center is responsible for should be recorded on the center's books.

The Commissioner of Higher Education is currently working with school district officials to resolve ownership interests. As noted in Footnote 6, page 23, the school district is leasing the land and building to the center for annual payments of \$472,635 and \$445,330 for the two fiscal years ending June 30, 1989. The lease payments correspond to the principal and interest on the bond issue used to finance construction of the center. We present this information for disclosure purposes only and make no recommendations at this time pending resolution of the ownership interests. We will review this issue in our next audit of the center.

AUDITOR'S OPINION LETTER
AND CENTER FINANCIAL SCHEDULES

SUMMARY OF AUDIT OPINION

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts presented.

Office of the Legislative Auditor

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JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the financial schedules of the Butte Vocational-Technical Center for each of the two fiscal years ended June 30, 1986 and 1987 as shown on pages 13 through 24. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1 to the financial schedules, the center's financial schedules are prepared in accordance with state accounting policy. Accordingly, the accompanying financial schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly the results of operations of the Butte Vocational-Technical Center for the fiscal years ended June 30, 1986 and 1987 in conformity with the basis of accounting described in Note 1, applied on a consistent basis.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

February 12, 1988

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	CURRENT FUNDS			
	Unrestricted Subfund	Restricted Subfund	Designated Subfund	Auxiliary Subfund
FUND BALANCE: July 1, 1985	\$ <u>(33)</u>	\$ <u>0</u>	\$ <u>4,728</u>	\$ <u>31,119</u>
ADDITIONS				
<u>Fiscal Year 1985-86</u>				
Budgeted Revenue & Transfers In	1,577,775	75,362		
Nonbudgeted Revenue & Transfers In		<u>355,229</u>	<u>6,117</u>	<u>77,103</u>
Total Revenue & Transfers In	1,577,775	430,591	6,117	77,103
Prior Year Revenue - Additions/Adjustments	121			60
<u>Fiscal Year 1986-87</u>				
Budgeted Revenue & Transfers In	1,530,233			
Nonbudgeted Revenue & Transfers In		<u>509,545</u>	<u>6,359</u>	<u>81,577</u>
Total Revenue & Transfers In	1,530,233	509,545	6,359	81,577
Prior Year Revenue - Additions/Adjustments	(419)			
Prior Year Transfer In Adjustments				
Total Additions	<u>3,107,710</u>	<u>940,136</u>	<u>12,476</u>	<u>158,740</u>
REDUCTIONS				
<u>Fiscal Year 1985-86</u>				
Budgeted Expenditures & Transfers Out	1,576,281	75,362		
Nonbudgeted Expenditures & Transfers Out		<u>403,223</u>	<u>4,966</u>	<u>61,317</u>
Total Expenditures	1,576,281	478,585	4,966	61,317
Prior Year Expenditure Adjustments	(82)			
Nonbudgeted Prior Year ¹				
Expenditure Adjustments	209,240			24
Current Year Increase In Compensated Absences	6,559			
<u>Fiscal Year 1986-87</u>				
Budgeted Expenditures & Transfers Out	1,531,752			
Nonbudgeted Expenditures & Transfers Out		<u>472,447</u>	<u>4,776</u>	<u>81,065</u>
Total Expenditures	1,531,752	472,447	4,776	81,065
Prior Year Expenditure Adjustments	(217)			
Total Reductions	<u>3,323,533</u>	<u>951,032</u>	<u>9,742</u>	<u>142,406</u>
FUND BALANCE: June 30, 1987	\$ <u>(215,856)</u>	\$ <u>(10,896)</u>	\$ <u>7,462</u>	\$ <u>47,453</u>

¹ This represents the cumulative balance of the compensated absences liability as of June 30, 1985 and caused the negative fund balance.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL REVENUE AND TRANSFERS IN
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	<u>Taxes</u>	<u>Service Fees</u>	<u>Grants, Gifts, & Donations</u>	<u>Sale of Merchandise</u>	<u>Federal Assistance</u>	<u>Income Collections & Transfers</u>	<u>Total</u>
<u>Fiscal Year 1986-87</u>							
CURRENT FUNDS:							
Unrestricted Subfund	\$225,781	\$239,847				\$1,064,605	\$1,530,233
Restricted Subfund		2,530	\$60,901		\$442,910	3,204	509,545
Designated Subfund		4,710		\$ 1,649			6,359
Auxiliary Subfund				81,577			81,577
TOTAL FISCAL 1986-87	<u>\$225,781</u>	<u>\$247,087</u>	<u>\$60,901</u>	<u>\$83,226</u>	<u>\$442,910</u>	<u>\$1,067,809</u>	<u>\$2,127,714</u>
<u>Fiscal Year 1985-86</u>							
CURRENT FUNDS:							
Unrestricted Subfund	\$254,549	\$234,186				\$1,089,040	\$1,577,775
Restricted Subfund		2,371	\$ 3,782		\$421,555	2,883	430,591
Designated Subfund		5,270		\$ 847			6,117
Auxiliary Subfund				77,103			77,103
TOTAL FISCAL 1985-86	<u>\$254,549</u>	<u>\$241,827</u>	<u>\$ 3,782</u>	<u>\$77,950</u>	<u>\$421,555</u>	<u>\$1,091,923</u>	<u>\$2,091,586</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED REVENUE AND TRANSFERS IN
ESTIMATE AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	<u>Taxes</u>	<u>Service Fees</u>	<u>Federal Assistance</u>	<u>Income Collections & Transfers</u>	<u>Total</u>
<u>Fiscal Year 1986-87</u>					
CURRENT FUNDS:					
Unrestricted Subfund					
Estimated Revenue & Transfers In	\$ 1	\$246,095		\$1,084,496	\$1,330,592
Actual Revenue	<u>225,781</u>	<u>239,847</u>		<u>1,064,605</u>	<u>1,530,233</u>
Collections Over(Under) Estimate	<u>\$225,780</u>	<u>\$ (6,248)</u>		<u>\$ (19,891)</u>	<u>\$ 199,641</u>
<u>Fiscal Year 1985-86</u>					
CURRENT FUNDS:					
Unrestricted Subfund					
Estimated Revenue & Transfers In	\$337,553	\$234,060		\$1,168,203	\$1,739,816
Actual Revenue	<u>254,549</u>	<u>234,186</u>		<u>1,089,040</u>	<u>1,577,775</u>
Collections Over(Under) Estimate	<u>\$(83,004)</u>	<u>\$ 126</u>		<u>\$ (79,163)</u>	<u>\$ (162,041)</u>
Restricted Subfund					
Estimated Revenue & Transfers In			\$105,362		\$ 105,362
Actual Revenue			<u>75,362</u>		<u>75,362</u>
Collections Over(Under) Estimate			<u>\$(30,000)</u>		<u>\$ (30,000)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	<u>Instruction</u>	<u>Public Service</u>	<u>Student Services</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprise</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES								
Salaries	\$650,421					\$4,042	\$152,672	\$ 807,135
Hourly Wages	15,744	\$16,359	\$13,392	\$ 92,916	\$22,939	4,491	119,852	285,693
Employee Benefits	159,934	2,322	1,071	34,245		1,013	75,251	273,836
Total	<u>826,099</u>	<u>18,681</u>	<u>14,463</u>	<u>127,161</u>	<u>22,939</u>	<u>9,546</u>	<u>347,775</u>	<u>1,366,664</u>
OPERATING EXPENSES								
Contracted Services	4,107			3,517		1,470	20,017	29,111
Supplies & Materials	51,404		149	8,547		54,738	12,527	127,365
Communications	4,732		484	11,687		57	9,361	26,321
Travel	1,215	1,379	207				8,162	10,963
Rent	3					150	30	183
Utilities				53,995		493	3,295	57,783
Repair & Maintenance	49,464	154		10,271		631	9,223	69,743
Other Expenses	2,255	813	437	603		411	5,635	10,154
Goods Purchased For Resale			11			11,452		11,463
Total	<u>113,180</u>	<u>2,346</u>	<u>1,288</u>	<u>88,620</u>		<u>69,402</u>	<u>68,250</u>	<u>343,086</u>
EQUIPMENT AND INTANGIBLE ASSETS								
Equipment	30,110					2,117		32,227
Intangible Assets	160							160
Total	<u>30,270</u>					<u>2,117</u>		<u>32,387</u>
GRANTS								
From State Sources					4,928			4,928
From Federal Sources					339,773			339,773
From Other Sources								
Total					<u>344,701</u>			<u>344,701</u>
TRANSFERS								
Nonmandatory					680		2,524	3,204
Total					<u>680</u>		<u>2,524</u>	<u>3,204</u>
TOTAL PROGRAM EXPENDITURES	<u>\$969,549</u>	<u>\$21,027</u>	<u>\$15,751</u>	<u>\$215,781</u>	<u>\$368,320</u>	<u>\$81,065</u>	<u>\$418,549</u>	<u>\$2,090,042</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.



BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF TOTAL PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Plant Operation & Maintenance</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprise</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES								
Salaries	\$663,888						\$202,633	\$ 866,521
Hourly Wages	6,298	\$161	\$4,648	\$ 89,969	\$19,636		123,127	243,839
Employee Benefits	<u>163,373</u>			<u>30,099</u>			<u>90,742</u>	<u>284,214</u>
Total	<u>833,559</u>	<u>161</u>	<u>4,648</u>	<u>120,068</u>	<u>19,636</u>		<u>416,502</u>	<u>1,394,574</u>
OPERATING EXPENSES								
Contracted Services	363			11,985		\$ 3,303	22,585	38,236
Supplies & Materials	53,243		674	8,153		55,291	16,473	133,834
Communications	1,837		308	11,452		20	9,990	23,607
Travel	217		224	1,996		22	8,651	11,110
Rent	438			10				448
Utilities				56,791				56,791
Repair & Maintenance	47,080		684	8,049		487	9,027	65,327
Other Expenses	3,079		244	762		(6,698)	6,921	4,308
Goods Purchased For Resale						<u>8,617</u>		<u>8,617</u>
Total	<u>106,257</u>		<u>2,134</u>	<u>99,198</u>		<u>61,042</u>	<u>73,647</u>	<u>342,278</u>
EQUIPMENT AND INTANGIBLE ASSETS								
Equipment	20,874					275		21,149
Intangible Assets								
Total	<u>20,874</u>					<u>275</u>		<u>21,149</u>
GRANTS								
From State Sources					3,782			3,782
From Federal Sources					356,485			356,485
From Other Sources								
Total					<u>360,267</u>			<u>360,267</u>
TRANSFERS								
Mandatory transfers					<u>709</u>		<u>2,173</u>	<u>2,882</u>
Total					<u>709</u>		<u>2,173</u>	<u>2,882</u>
TOTAL PROGRAM EXPENDITURES	<u>\$960,690</u>	<u>\$161</u>	<u>\$6,782</u>	<u>\$219,266</u>	<u>\$380,612</u>	<u>\$61,317</u>	<u>\$492,322</u>	<u>\$2,121,150</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.



BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1987

	<u>Instruction</u>	<u>Plant Operation & Maintenance</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES				
Salaries	\$610,660		\$152,672	\$ 763,332
Hourly Wages	10,324	\$ 83,502	117,149	210,975
Employee Benefits	<u>150,673</u>	<u>34,245</u>	<u>75,251</u>	<u>260,169</u>
Total	<u>771,657</u>	<u>117,747</u>	<u>345,072</u>	<u>1,234,476</u>
OPERATING EXPENSES				
Contracted Services	4,107	3,517	20,017	27,641
Supplies & Materials	49,743	8,547	12,527	70,817
Communications	3,602	11,687	9,361	24,650
Travel	1,015		8,162	9,177
Rent	3		30	33
Utilities		53,995	3,295	57,290
Repair & Maintenance	49,464	10,271	9,223	68,958
Other Expenses	<u>2,202</u>	<u>604</u>	<u>5,635</u>	<u>8,441</u>
Total	<u>110,136</u>	<u>88,621</u>	<u>68,250</u>	<u>267,007</u>
EQUIPMENT AND INTANGIBLE ASSETS				
Equipment	30,109			30,109
Intangible Assets	<u>160</u>			<u>160</u>
Total	<u>30,269</u>			<u>30,269</u>
TOTAL PROGRAM EXPENDITURES	<u>\$912,062</u>	<u>\$206,368</u>	<u>\$413,322</u>	<u>\$1,531,752</u>
CURRENT FUNDS:				
Unrestricted Subfund				
Budgeted	\$936,904	\$206,368	\$432,228	\$1,575,500
Actual	<u>912,062</u>	<u>206,368</u>	<u>413,322</u>	<u>1,531,752</u>
Unspent Budget Authority	<u>\$ 24,842</u>	<u>\$ 0</u>	<u>\$ 18,906</u>	<u>\$ 43,748</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT
BY OBJECT AND FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1986

	<u>Instruction</u>	<u>Plant Operation & Maintenance</u>	<u>Support</u>	<u>Total</u>
PERSONAL SERVICES				
Salaries	\$ 663,888		\$202,633	\$ 866,521
Hourly Wages	1,480	\$ 80,321	120,040	201,841
Employee Benefits	<u>163,374</u>	<u>30,099</u>	<u>90,742</u>	<u>284,215</u>
Total	<u>828,742</u>	<u>110,420</u>	<u>413,415</u>	<u>1,352,577</u>
OPERATING EXPENSES				
Contracted Services	363	11,985	22,585	34,933
Supplies & Materials	53,150	8,153	16,473	77,776
Communications	1,837	11,452	9,990	23,279
Travel	217	1,996	8,651	10,864
Rent	438	10		448
Utilities		56,791		56,791
Repair & Maintenance	47,080	8,049	9,027	64,156
Other Expenses	<u>2,264</u>	<u>762</u>	<u>6,921</u>	<u>9,947</u>
Total	<u>105,349</u>	<u>99,198</u>	<u>73,647</u>	<u>278,194</u>
EQUIPMENT AND INTANGIBLE ASSETS				
Equipment	20,874			20,874
Intangible Assets				
Total	<u>20,874</u>			<u>20,874</u>
TOTAL PROGRAM EXPENDITURES	\$ <u>954,965</u>	\$ <u>209,618</u>	\$ <u>487,062</u>	\$ <u>1,651,645</u>
CURRENT FUNDS:				
Unrestricted Subfund				
Budgeted	\$ 945,456	\$212,542	\$489,602	\$1,647,600
Actual	<u>879,602</u>	<u>209,617</u>	<u>487,062</u>	<u>1,576,281</u>
Unspent Budget Authority	\$ <u>65,854</u>	\$ <u>2,925</u>	\$ <u>2,540</u>	\$ <u>71,319</u>
Restricted Subfund				
Budgeted	\$ 105,362			\$ 105,362
Actual	<u>75,362</u>			<u>75,362</u>
Unspent Budget Authority	\$ <u>30,000</u>			\$ <u>30,000</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 21 through 24.

BUTTE VOCATIONAL TECHNICAL CENTER
SCHEDULE OF ADDITIONS AND DEDUCTIONS
AGENCY FUND ASSETS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

	<u>Additional Voted Millage</u>	<u>All Other</u> ¹
Asset Balance, July 1, 1985	\$ <u>1,417</u>	<u>\$3,259</u>
Additions:		
Fiscal Year 1985-86	254,605	3,422
Fiscal Year 1986-87	<u>235,526</u>	<u>3,684</u>
Total Additions	<u>490,131</u>	<u>7,106</u>
Deductions:		
Fiscal Year 1985-86	254,548	3,699
Fiscal Year 1986-87	<u>230,559</u>	<u>3,533</u>
Total Deductions	<u>485,107</u>	<u>7,232</u>
Asset Balance, June 30, 1987	\$ <u>6,441</u>	<u>\$3,133</u>

¹ This includes the Scholarship Fund and Student Council.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial statements on pages 21 through 24.

BUTTE VOCATIONAL-TECHNICAL CENTER

NOTES TO THE FINANCIAL SCHEDULES

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The state of Montana utilizes the accrual basis of accounting for the funds of higher education units. Under the accrual basis of accounting, a valid obligation exists when the related liability is incurred except for the following items which are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is to be accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

B. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to state law. The following funds are used by the center.

CURRENT FUNDS - Include economic resources expendable for instruction, research, public service, and the allied support programs. Subgroups of the current funds group are as follows:

Unrestricted Subfund - are funds received for which no stipulation was made by the donor or other external agency as to the purpose for which they should be expended.

Restricted Subfund - are funds available for financing operations which are limited by donors and other external agencies to specific purposes, programs, departments, or schools.

Designated Subfund - identifies financial activities related to special organized activities of educational programs wherein they are fully

supported by supplemental assessments, and tracks special supplies and facilities fees that are approved for collection beyond normal course fees.

Auxiliary Subfund - exists to furnish goods or services to students, faculty, or staff through a fee charged for the cost, although not necessarily equal to the cost of the goods or services. The revenues are derived directly from the operation of the auxiliary enterprise itself.

AGENCY FUNDS - Includes resources held by the institution as custodian or fiscal agent for individual students, faculty, staff members, and organizations.

2. LIABILITY FOR COMPENSATED ABSENCES

Employees for the center accumulate both vacation and sick leave. Qualifying classified employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Certified instructional employees receive lump sum payments in accordance with contract provisions. Expenditures for termination pay currently are absorbed in the annual operating costs of the center. At June 30, 1987 the center had a liability of \$15,176 for vacation leave and \$155,721 for sick leave.

3. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The center's contribution to these plans is shown below.

	<u>Fiscal Year</u> <u>1985-86</u>	<u>Fiscal Year</u> <u>1986-87</u>
PERS	\$10,583	\$13,142
TRS	64,896	59,899

4. LEGISLATIVE ACTION

The 50th Legislature, in Chapter 658, Laws of 1987, transferred the governance of the five vocational-technical centers from joint governance with the Office of Public Instruction (OPI) and the local school districts to single governance under the Board of Regents of Higher Education. Provisions of the bill allow a two year period to effect the transfer. Directors of the centers

became state employees effective July 1, 1987, and the remaining staff and faculty will be transferred to state control by July 1, 1989.

5. CHANGE IN FUNDS

In years prior to fiscal year 1985-86, the center recorded General Fund support and transfers of that support to the Current Unrestricted Subfund in the General Fund. Money received from the Office of Public Instruction and transferred to the Current Unrestricted Subfund was previously recorded in the Special Revenue Fund. With a change in accounting policy, the General and Special Revenue Funds are no longer used by the center.

6. LEASES

With passage of Chapter 658, Laws of 1987, the center and the school district have entered into a lease agreement for the center land and building. Lease payments of \$472,635 in fiscal year 1987-88 and \$445,330 in fiscal year 1988-89 are principal and interest on the bond issue used to finance construction of the center. As part of this agreement, the school district will continue to pay the insurance premiums, but the center is responsible for maintenance of the building.

7. STUDENT FTES

BUTTE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF FULL-TIME EQUIVALENT STUDENTS (FTE)
FISCAL YEARS ENDED JUNE 30, 1986 and 1987

Fiscal Year 1985-86

<u>Quarter</u>	<u>Year</u>	Number of ¹ <u>Students</u>	<u>Reported</u> <u>Contact Hours</u>	<u>Calculated FTEs</u> ²
Fall	1985	487	131,760	395.32
Winter	1986	583	137,782	413.39
Spring	1986	493	137,230	411.73

Fiscal Year 1986-87

<u>Quarter</u>	<u>Year</u>	Number of ¹ <u>Students</u>	<u>Reported</u> <u>Contact Hours</u>	<u>Calculated FTEs</u> ²
Fall	1986	541	129,600	388.84
Winter	1987	613	134,815	404.49
Spring	1987	489	132,736	398.25

¹ Includes full-time and part-time students.

² This is the reported contact hours divided by 333.3 contact hours as required by 10.41.101, ARM.

CENTER RESPONSE



June 1, 1988

RECEIVED

JUN 01 1988

MONTANA LEGISLATIVE
AUDITOR

Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

Dear Mr. Seacat:

Subj: State of Montana, Butte Vocational Technical Center,
Report on Examination of Financial Statements for the
Two Fiscal Years ended June 30, 1987.

Attached to this communication is the Butte Vocational Technical
Center response to the Summary of Audit Recommendations by your office.

Respectfully submitted,

H.J. Freebourn, Director
Butte Vo-Tech Center
Basin Creek Road
Butte, Montana 59701

RESPONSES

BUTTE VOCATIONAL TECHNICAL CENTER

AUDIT

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1987

1. Legislative Auditor's Recommendation #1

We Recommend the Center:

- A. Calculate the Pell Grant cost of attendance in accordance with Federal Regulations.
- B. Determine the amount of Pell Grant overpayments in Fiscal Year 1986-87.
- C. Contact the Department of Education to resolve the Pell Grant overpayments.

Financial Aid Officer's Response:

Regarding Pell Grant overpayments: The overpayments which were due to the addition of the \$10 application fee which should not have been charged to returning students amount to \$700 total overpayment to 16 students. This amount was determined by an individual examination of all students who would have been affected, and after considering what quarter they started and where they were on the payment schedule this total figure was arrived at. The financial aid office will await directions from the Department of Education as to their requirements to satisfy this recommendation.

2. Legislative Auditor's Recommendation #2

We recommend the Center calculate students' financial needs in accordance with Federal Regulations.

Financial Aid Officer's Response:

In regard to Recommendation #2, the financial need analysis: This particular student who initially had his financial aid award determined as a single parent with two dependents and should have been a married student with two dependents was not deprived of any financial aid because of this oversight.

3. Legislative Auditor's Recommendation #3

We recommend the Center:

- A. Develop procedures to plan and monitor student financial aid disbursements.
- B. Record CWS Payroll Expenditures in the proper fiscal year.
- C. Recover Administrative costs to the fullest extent possible.

Financial Aid Officer's Response:

In regard to Recommendation #3, the College Work Study payroll: It is felt by this officer that the amount of money, \$228, which was utilized by the College Work Study payroll in order to balance it out at a -0- figure was money which was not accountable for in the state indirect cost recovery program. This amount was from that additional 5% administration cost allowed by the federal regulation. Therefore, this was an amount utilized only to facilitate accounting convenience and thereby not have an amount left in this award.

4. Legislative Auditor's Recommendation #4

We recommend the Center develop procedures to estimate Student Financial Aid program monthly cash needs.

Financial Aid Officer's Response:

In regard to Recommendation #4, cash management: The financial aid office does strive to maintain its cash from the federal government in a responsible manner.

5. Legislative Auditor's Recommendation #5

We recommend the Center provide personnel training in Student Financial Assistance Programs.

Financial Aid Officer's Response:

In regard to Recommendation #5, financial aid personnel receiving training: The Butte Vo-Tech Center makes available to its personnel the opportunity to avail themselves of training. This will also be available to these people in the future.

6. Legislative Auditor's Recommendation #6

We recommend the Center develop procedures to identify, on its Accounting Records, Property Purchase with Federal Funds.

Center's Response:

Butte Vo-Tech Center Director concurs with Recommendation #6.

The Director met with the Property Service Head Engineer who has the responsibility of the Building Inventory on May 23, 1988 to discuss recommendation #6. The Property Service Head Engineer agreed to the date of August 26, 1988 to fully comply with recommendation #6.

7. Legislative Auditor's Recommendation #7

We recommend the Center consult with its Governing Organization to ensure that negotiated agreements with Center Employees comply with State Law.

Center's Response:

Butte Vo-Tech Center Director concurs with Recommendation #7.

A letter was sent to Sue Romney, Director of Labor Relations and Personnel for the Montana University System on May 24, 1988 requesting her to review recommendation #7.

8. Legislative Auditor's Recommendation #8

We recommend the Center Seek Program and Operational Plan Budget Changes which will allow recording expenditures in accordance with State Policy.

Center's Response:

Butte Vo-Tech Center Director concurs with Recommendation #8.

The expenditures noted in this recommendation were incurred during fiscal year end and in order to expedite the year end process were expended where funds were available. We concur this was not in the best of accounting practices and have since obtained the correct forms that will enable us to obtain budget amendments as needed.

